



盛京銀行  
SHENGJING BANK

Shengjing Bank Co., Ltd.\*

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 02066



2019

Environmental, Social and  
Governance Report



BIO.



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\* Shengjing Bank Co., Ltd. is not an authorized institution under the Hong Kong Banking Ordinance (cap. 155), is not subject to the supervision of the Hong Kong Monetary Authority and is not authorized to carry on Banking and/or deposit taking business in Hong Kong.



## ABOUT THIS REPORT

This report describes the performance and achievements of Shengjing Bank Co., Ltd. (hereinafter referred to as “Shengjing Bank”, “the Bank”, “our Bank” or “we”) in fulfilling its social responsibility in economic, social and environmental areas in 2019.

### Reporting period

The reporting period is from 1 January 2019 to 31 December 2019.

### Reporting cycle

This report is prepared annually.

### Reporting scope

Unless otherwise stated, this report focuses on Shengjing Bank as its main reporting entity, covering its subsidiaries, branches, sub-branches and special institutions.

### Basis of preparation

This report has been prepared in accordance with the disclosure recommendations of The Stock Exchange of Hong Kong Limited’s Guidelines for Environmental, Social and Governance Reporting with reference to:

- Sustainability Reporting Guidelines of the Global Reporting Initiative (G4.0)
- Opinions of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Social Responsibility of Banking Financial Institutions
- Guidelines of the Shanghai Stock Exchange on Environmental Information Disclosure of Listed Companies
- Guidelines of the China Banking Association on the Corporate Social Responsibility of Banking Institutions of China

### Collection of information

Financial information in this report is partly based on 2019 financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and audited by KPMG. Other information is sourced from statistical data of the Bank’s internal systems and branches. Cases cited are real cases in the Bank’s operations. Unless otherwise stated, Renminbi is the functional currency throughout the report.

### Assurance approach of the report

The Board of Directors of Shengjing Bank Co., Ltd. undertakes that the information in this report contains no false record, misleading statement or material omission, and assume the liabilities to the authenticity, accuracy and completeness of the information in this report.

KPMG Huazhen LLP was appointed to perform independent limited assurance on the report in accordance with the International Standards on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and issued an assurance report.



## ABOUT THIS REPORT (Continued)



### Issuance form

This report is issued in the form of printed version and published on the websites at <http://www.shengjingbank.com.cn> and <http://www.hkexnews.hk>.

This report is available in Chinese and English. If there is any conflict between the Chinese version and its English translation, the Chinese version shall prevail.

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## A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

2019 was a landmark year in Shengjing Bank's history. In the year, we actively responded to external challenges, deepened institutional reforms, optimised the Bank's operating model, comprehensively enhanced risk management, conscientiously fulfilled our mission and responsibilities as a financial services company under the new era and contributed to sustainability in economic, social and environmental areas.

**The Bank focuses on creating value and improving returns for shareholders.** As of 31 December 2019, the Bank's total assets reached RMB1,021.481 billion, and recorded RMB21.007 billion in revenue, an increase of 32.2% year-on-year, and realised a net profit of RMB5.438 billion, an increase of 6.1% year-on-year. The Bank maintained its growth momentum driven by stable and improved operating results.

**The Bank actively transforms its organisational structure to lay a solid foundation for continued growth.** As an innovative step in the year of 2019, the Bank issued additional shares and increased its share capital by RMB18 billion, further enhancing its prospects for growth. The Bank worked strenuously on top-level design to optimise its corporate governance, continuously deepened market-oriented institutional reforms and optimised its organisational structure and personnel structure in order to lay a solid foundation for the Bank's high-quality development.

**The Bank is committed to serving the real economy and developing inclusive finance.** We focused on our main business activities, actively responded to the government's call for enhanced financial support for key economic sectors. We actively embraced the concept of inclusive finance and provided strong support for farmers, rural areas and agricultural businesses, small and micro businesses, and enterprises important to people's daily lives as we strove to increase the coverage, satisfaction and availability of financial services to serve and benefit the people.

**Compliance is core to what we do.** We have adopted a sound and prudential risk management strategy and put compliance at the core of what we do. Our comprehensive risk management system has been reshaped. All of this has contributed to improving the soundness and effectiveness of the Bank's internal control. We provided various trainings and education programs on compliance for our staff to embed awareness of "Shameful violation, compliance glory" into every function and every part of our operations.

**The Bank attaches importance to building a harmonious culture.** The Bank is committed to building harmonious and uplifting corporate culture and developing a people oriented, high-quality, professional and diversified workforce. We attach high importance to our employees' capability building and career development and strive to create a harmonious workplace for them and provide a platform with warm care measures for them to grow. Their satisfaction with life and sense of belonging have improved continuously.

## A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS (Continued)



**The Bank actively contributes to public welfare undertakings.** As a corporate bank that serves local businesses and residents, the Bank leveraged its business and resource advantages to contribute to charity and public welfare undertakings, and actively participated in activities such as targeted poverty alleviation and charitable donations. Over the past years, the Bank has donated more than RMB10 million to charity and poverty alleviation as part of our efforts to give back to society and fulfil our mission as a financial services company.

Amid the raging COVID-19 crisis in early 2020, the Bank took decisive actions, carried out epidemic prevention-related work in a coordinated manner, provided full financial support for businesses key to epidemic prevention, and ensured the continuance of financial services. We actively fulfilled our social responsibility, worked alongside other members of the community, and played our part to win the battle against COVID-19.

In 2020, we will focus on our strategic vision of “building a sound bank” and adopt a business model driven by deposit-taking, compliance, talent and technology and a business philosophy that values innovation, harmony, greenness, openness and sharing. We will attach equal importance to our own development and our social responsibility, remain true to our original aspiration, give back to society and do our best to win our shareholders’ support, the government’s trust, our employees’ satisfaction and the public’s respect.

**Qiu Huofa**

*Chairman of the Board of Directors*

**Shengjing Bank**



# 1. ABOUT US

## 1.1 COMPANY PROFILE

Shengjing Bank is headquartered in Shenyang, Liaoning Province. In February 2007, Shenyang Commercial Bank, its predecessor, was approved by the China Banking Regulatory Commission (the former “CBRC”) to change its name to Shengjing Bank and carry out cross-regional business operations. Shengjing Bank is a financially strong bank in Northeast China and was listed on the main board of the Hong Kong Stock Exchange on 29 December 2014 (Stock Code: 02066).

We adopt the business philosophy of building a bank founded on the basis of deposit, compliance, talent, and technology, implement the business strategy of enhancing business management and market image building, and advocate the business model that features light capital and light assets. We have achieved coordinated growth of capital, scale, and return with forward-looking strategic positioning, marketised systems and mechanisms, unique business systems, and prudent operations.

Currently, Shengjing Bank has established over 200 business units including 18 branches in Beijing, Shanghai, Tianjin, Changchun, Shenyang, Dalian and other cities. Our business network covers the Beijing-Tianjin-Hebei region, Yangtze River Delta and Northeast China. Shengjing Bank has set up various professional business units, such as Shengjing Bank Consumer Finance Co., Ltd., Credit Card Centre, Financial Market Centre, and Financial Service Centre for Small Businesses to address the needs of enterprises, institutions, and individual clients for comprehensive financial services.

Depending on our good market image, outstanding management capability, and extraordinary business performance, the Bank has won great reputation from the market. We have been ranked 224th of the total and 36th among Chinese banks by Brand Finance, a famous brand valuer, in its “Global 500 2020”. We have also received honorary titles including “Chinese Enterprises Top 500”, “Urban Commercial Bank with Top Regional Competitiveness in China”, “2019 Core Dealer in Interbank Local Currency Market”, “UnionPay Credit Card Business Outstanding Contribution Award”, “UnionPay Credit Card Product Promotion Outstanding Contribution Award”, “Outstanding Visa Credit Card Partner in 2018-2019”, “JDD Best Partner”, etc. We have been consecutively awarded the AAA rating from 2016 to 2019 by China Lianhe Credit Rating Co., Ltd.





Shengjing Bank has always positioned itself as a bank dedicated to “serving the local economy, serving small and micro businesses, and serving urban and rural residents”. We regard facilitating economic and social development as our objective and foothold, and capitalise on institutional and decision-making strength to proactively fulfil our social responsibilities as a financial institution. We also proactively respond to the state's critical strategies and decisions and endeavour to improve our service capacity, quality, and efficiency for the real economy.

Shengjing Bank's new Shengjing Bank Wealth Management product portfolio covers the five major product lines including transaction banking, cash management, asset management, investment banking, and financial market to embed financial services into the entire industrial chain and all business scenarios of enterprises that involve procurement, R&D, production, logistics, and sales. This helps build a one-stop corporate treasury management service solution and offer quality and efficient E2E services to enterprise clients.

The Bank has been actively promoting the implementation of the Big Retail Banking strategy, developing Shengjing Bank Wealth Management products for retail banking, improving the capacity of “online + offline” collaborative marketing across scenarios and channels, and driving the establishment of a service system that focuses on client payment and settlement, scenario-based application, consumption investment, and asset management, so as to continuously offer better and more convenient financial services to retail clients. We have also launched the Caifutong and Chuangli smart savings deposit products and released the “Red Rose” wealth management product series such as Zhiying, Wenying, Shengying, Tianjin, Tianyuan, and Tianbao to meet the needs of individual clients for preserving the value of and adding value to their wealth and assets.

Shengjing Bank actively implements the concept of inclusive finance. We have established a “Financial Service Centre for Small Businesses”, persistently served the real economy, improved our service system, optimized business processes, and improved service quality and efficiency. In order to address small and micro businesses' needs for loans, we introduce favourable policies to ensure that they have access to a greater amount of credit. We also continuously innovates products targeting small and micro businesses, offer diversified product series to meet the financing needs of such businesses of various types at different stages of development, and deliver one-stop, diverse financing services to small and micro businesses with great potential. Looking forward, Shengjing Bank will proactively drive strategic transformation, reform, and innovation, concentrate on serving the real economy and improving people's livelihood, and allocate more financial resources to areas critical to economic and social development, so as to make greater contribution to a well-off society!

## 1. ABOUT US (Continued)

### 1.2 HONOURS AND AWARDS

Honours and Awards	Awarders
2019 China Financing Grand Prize Best Investment Value Award	Hong Kong Finance Magazine China Financing Market
2019 Financial Debt Innovation Award	China Development Bank
2019 Top 100 China Bond Settlement—Outstanding Proprietary Dealer	China Central Depository & Clearing Co., Ltd.
X-Repo Innovation Award for Trading Mechanism, X-Bond Innovation Award for Trading Mechanism, 2019 Core Dealer in Interbank Local Currency Market, 2019 Top 300 Dealer in Interbank Local Currency Market	National Interbank Funding Centre
2019 Top 40 Dealer Interbank RMB Foreign Exchange Markets	China Foreign Exchange Trade System
2019 UnionPay Credit Card Business Outstanding Contribution Award, 2019 UnionPay Credit Card Product Promotion Outstanding Contribution Award	China UnionPay
Advanced Unit for Popularizing Financial Knowledge in 2019	CBIRC Liaoning Bureau
Outstanding Contributors to the Liquidity Mutual Aid Work of Liaoning Corporation City Commercial Bank	Liaoning Banking Association
“Front Runner” of Enterprise Standard	National Internet Finance Association of China
Shenyang City Pioneer of Workers	Shenyang Federation of Workers
Best Innovation Partner	CITIC Bank Credit Card Centre
2019 Debt Financing Plan Business Breakthrough Award, 2019 Debt Financing Plan Dream Building Peer Award	Beijing Financial Assets Exchange
2019 Fintech and Service Outstanding Innovation Award Selection – Fintech Innovation Outstanding Contribution Award – Management Innovation Contribution Award	Financial Computerisation Magazine
2019 China's Best Employer of the Year, Shenyang's Best Employer	Zhaopin.com, Social Research Centre of Peking University
Second Prize of 2019 International Industrial Finance Excellent Cases	The Second Industrial Finance Cooperation Committee of Asian Financial Cooperation Association
Outstanding Urban Commercial Bank for Wealth Management Information Registration in 2019	China Banking Wealth Management Registration & Depository Centre





## 1.3 KPIs

Type of KPI	Name of KPI	Unit	2019	2018
Economic KPIs	Operating income	RMB100 million	210.07	158.85
	Net profit	RMB100 million	54.38	51.26
	Basic earnings per share	RMB	0.90	0.88
	Total assets	RMB100 million	10,214.81	9,854.33
	Total deposits	RMB100 million	6,414.28	5,141.67
	Total loans	RMB100 million	4,572.02	3,765.97
	Return on average assets	%	0.54	0.51
	Return on equity	%	7.99	9.38
	Non-performing loan ratio	%	1.75	1.71
	Allowance to non-performing loan	%	160.90	160.81
	Capital adequacy ratio	%	14.54	11.86
Social KPIs	Total taxes paid	RMB100 million	29.67	22.49
	Total charitable fund	RMB10,000	484.75	336.40
	Balance of loans to small and micro businesses	RMB100 million	1,372.55	1,470.93
	Social contribution per share*	RMB	6.50	6.87
	Total number of employees	Person	6,219	5,434
	Proportion of female employees	%	57.02	56.74
	Number of training sessions per person per year	Number of times	57	61
Environmental KPIs	Balance of green credit	RMB100 million	76.02	73.23
	E-banking replacement ratio	%	81	64
	Head office power consumption	10,000 kWh	302.94	301.8
	Head office water consumption	Ton	71,966	58,332
	Head office natural gas consumption	M³	23,535	17,143
	Head office paper consumption	Million sheets	3.22	2.78
	Head office oil consumption**	L	79,221	110,720

\* Social contribution per share = (Annual tax paid + Staff salaries paid + Loan interest paid to creditors + Total outbound donations – Other social cost arising from environmental pollution) ÷ Total share capital + Basic earnings per share.

\*\* Including oil consumption by armoured trucks hired by the Bank's outlets in Shenyang.



## 2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT

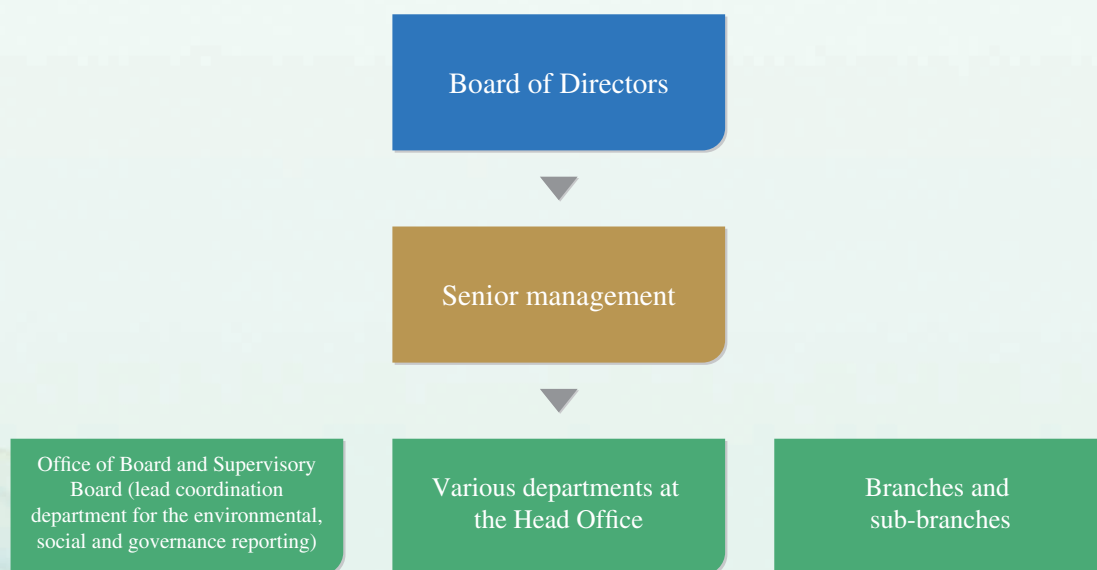
### 2.1 SOCIAL RESPONSIBILITY CONCEPTS

- Goal: Build a sound bank.
- Positioning: Serve the local economy, serve small and micro businesses and serve urban and rural residents.
- Service concept: Establish the closest ties with the people and provide the biggest benefits for the people.
- Core values: Integrity, Affinity, Proactive, Professionalism and Dedication

### 2.2 SOCIAL RESPONSIBILITY MANAGEMENT AND PRACTICES

Social responsibility management is guided by the Board of Directors and assumed by the senior management. Specific tasks are led and coordinated by the Office of Board and Supervisory Board and executed by departments at the Head Office and branches. Inter-departmental collaboration and coordination is exercised to carry out the work. In addition to achieving sustained, stable and rapid development, the Bank actively fulfils its social responsibility and includes the social responsibility concept in every aspect of its business operation.

#### Social Responsibility Management Structure



## 2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)



### 2.3 SOCIAL RESPONSIBILITY COMMUNICATION

The Bank has put in place various means of communication to enhance its communication and exchanges with stakeholders, and adopted a series of measures to meet stakeholders' expectations and requirements.

Stakeholders	Expectations and requirements	Means of communication	Responses and measures
Governments	<ul style="list-style-type: none"> <li>Respond to state policies</li> <li>Serve the real economy</li> <li>Expand financial inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Policy documentation and guidelines</li> <li>Reports on specific topics</li> <li>Information distribution</li> <li>Work meetings</li> </ul>	<ul style="list-style-type: none"> <li>Support the revitalisation of the economy of Northeast China</li> <li>Serve small and micro businesses and agriculture-related businesses</li> <li>Establish a consumer finance company</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Comply with regulatory requirements</li> <li>Prevent financial risk</li> <li>Promote industry development</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory policies</li> <li>Surveys and on-site visits</li> <li>Data reporting</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen internal control</li> <li>Improve the risk management system</li> <li>Strengthen daily inspections</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Ensure sustained business operation</li> <li>Increase corporate value</li> <li>Improve returns on investment</li> </ul>	<ul style="list-style-type: none"> <li>General shareholders' meetings</li> <li>Announcements</li> <li>Performance roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Improve the corporate governance structure</li> <li>Execute development strategies</li> <li>Improve profitability</li> <li>Disclose information in a timely manner</li> </ul>
Clients	<ul style="list-style-type: none"> <li>Simplify business procedures</li> <li>Improve service quality</li> <li>Provide a richer selection of financial products</li> <li>Protect consumers' rights and interests</li> </ul>	<ul style="list-style-type: none"> <li>Marketing activities</li> <li>Customer hotline</li> <li>Surveys</li> </ul>	<ul style="list-style-type: none"> <li>Optimise business procedures</li> <li>Strengthen product innovation</li> <li>Improve service quality</li> <li>Popularise financial knowledge</li> </ul>



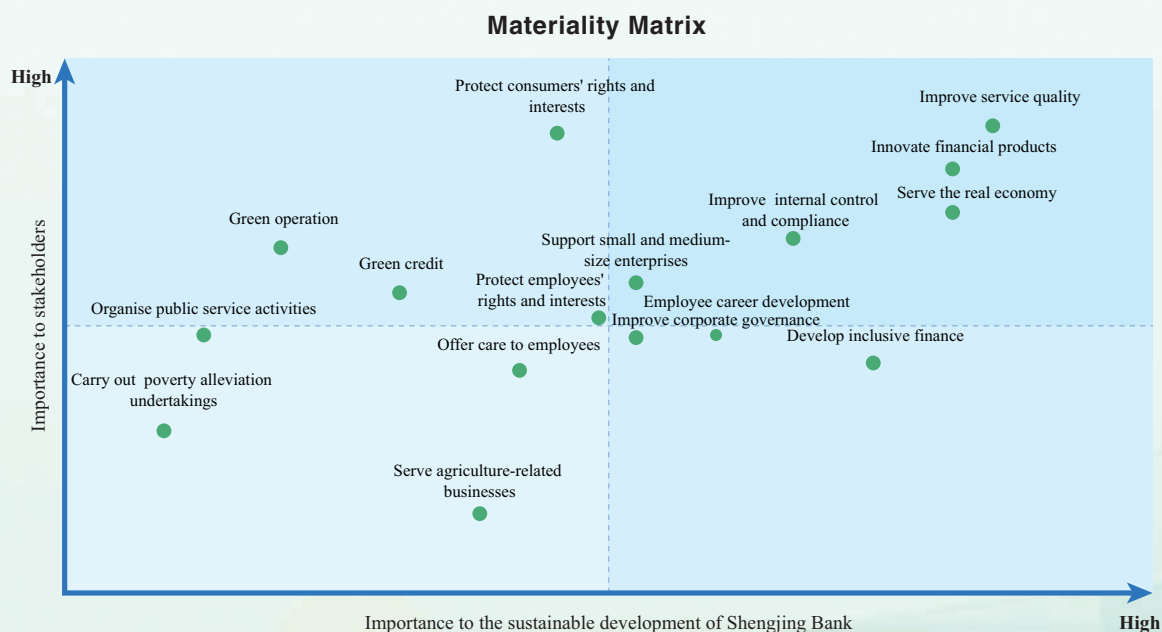
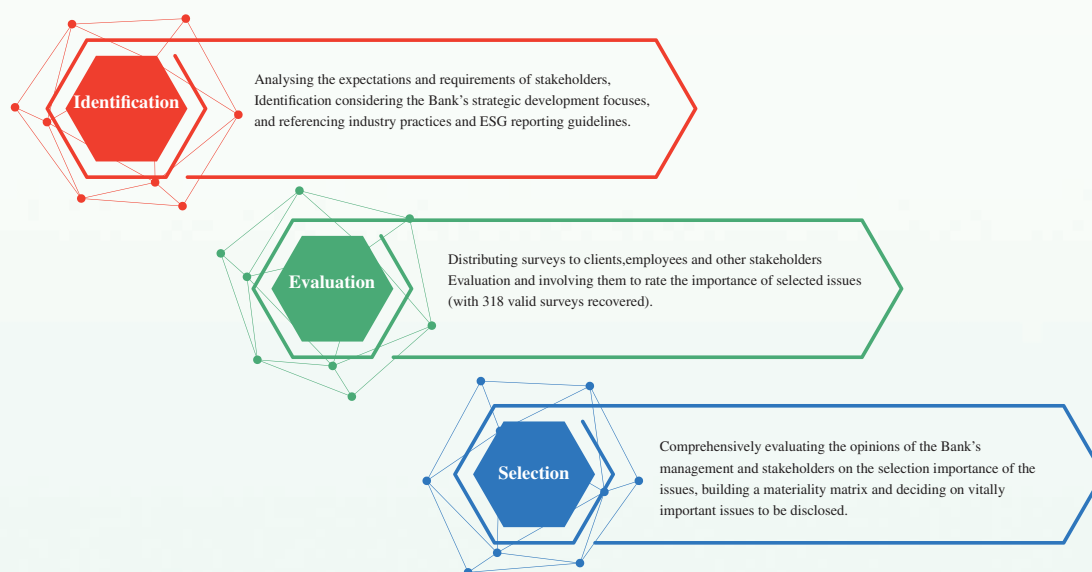
## 2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

Stakeholders	Expectations and requirements	Means of communication	Responses and measures
Employees	<ul style="list-style-type: none"> <li>• Improve employee benefits</li> <li>• Protect the rights and interests of employees</li> <li>• Provide professional training and career development</li> </ul>	<ul style="list-style-type: none"> <li>• Trade union</li> <li>• General meeting of employee representatives</li> <li>• Visits and interviews</li> <li>• Professional training</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the compensation and welfare system</li> <li>• Enhance employee training</li> <li>• Offer care to employees</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Fair procurement</li> <li>• Honesty and integrity</li> <li>• Cooperation for win-win outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation</li> <li>• Cooperation agreements</li> <li>• Tendering and bidding</li> </ul>	<ul style="list-style-type: none"> <li>• Build a procurement management system</li> <li>• Enhance business cooperation</li> </ul>
Partners	<ul style="list-style-type: none"> <li>• Mutually beneficial cooperation</li> <li>• Communication and exchanges of ideas with industry peers</li> </ul>	<ul style="list-style-type: none"> <li>• Seminars</li> <li>• Project cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys and on-site visits</li> <li>• Enhanced exchanges with industry peers</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Organise community activities</li> <li>• Help vulnerable groups</li> </ul>	<ul style="list-style-type: none"> <li>• Visits and interviews</li> <li>• Community service activities</li> </ul>	<ul style="list-style-type: none"> <li>• Financial aid to students</li> <li>• Organise community activities</li> <li>• Organise volunteer activities supported by employees</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Support low-carbon economy</li> <li>• Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>• Energy conservation and emission reduction</li> <li>• Green finance</li> </ul>	<ul style="list-style-type: none"> <li>• Green credit</li> <li>• Green office</li> <li>• E-banking</li> </ul>

## 2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

### 2.4 ANALYSIS OF MATERIAL ISSUES

The Bank selects social responsibility issues based on the expectations of stakeholders and its strategic focuses. It performs a materiality test on such issues with reference to the opinions of the Bank's management and stakeholders before determining material issues.

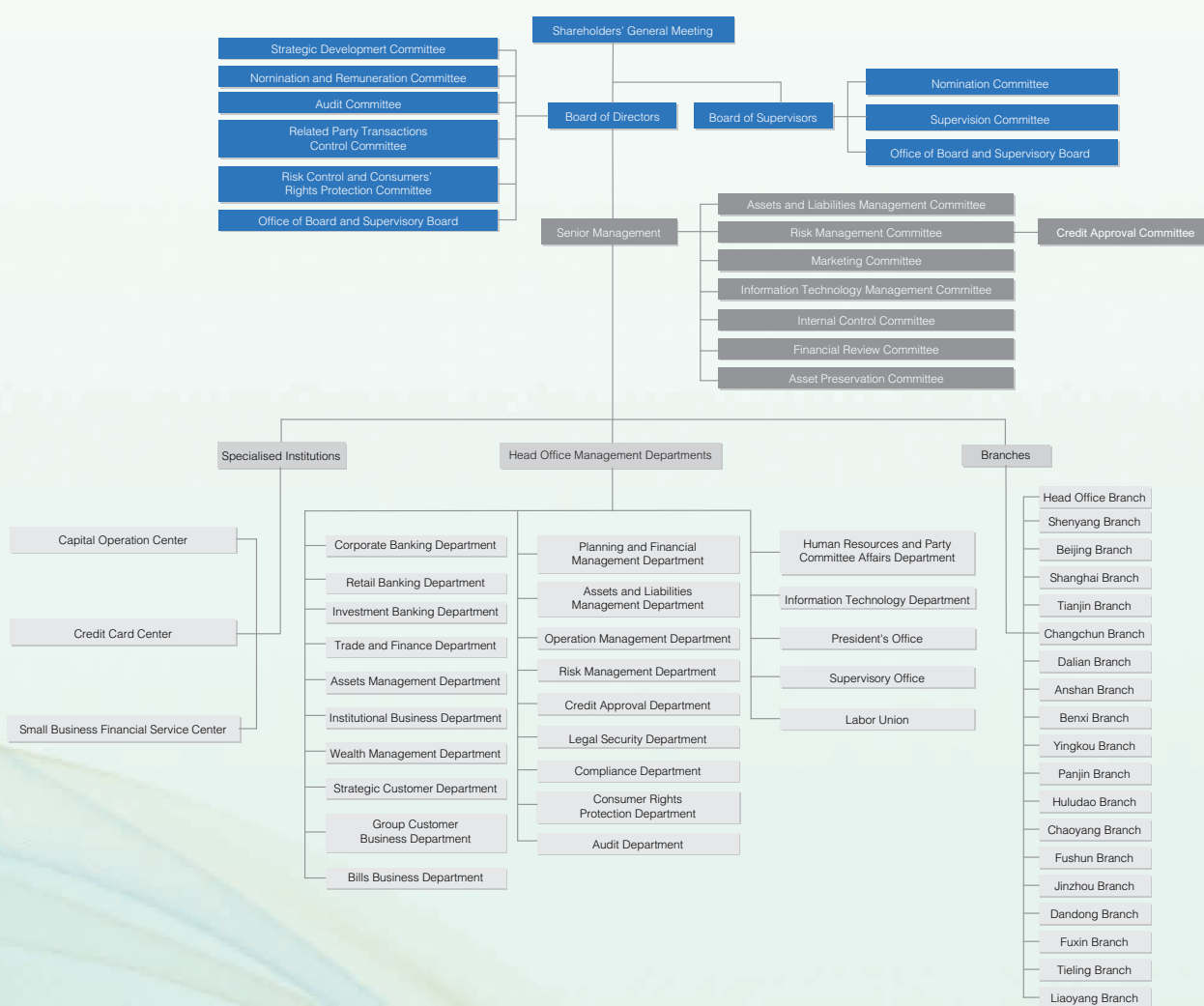


### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION

#### 3.1 IMPROVE CORPORATE GOVERNANCE

The Bank strengthened legal person governance and continued to improve a corporate governance structure with the General Meeting of Shareholders as the supreme authority, the Board of Directors as the decision-making organ, the Board of Supervisors as the supervisory organ and senior management as the executive body. We formulated rules of order, decision-making procedures and work regulations for the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, senior management and their subsidiary authorities, and formed a sound governance structure with a clear assignment of authority and responsibility and effective checks and balances.

**Shengjing Bank's Organisational Structure**



### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



During the reporting period, the Bank held 3 General Meetings of Shareholders which endorsed 19 resolutions and heard 2 proceedings covering the issuance and subscription of shares, the annual work reports of the Board of Directors and Board of Supervisors, the annual profit distribution plan, the annual financial budget report and final financial accounts report, the appointment of auditors, the amendments to the Rules of Procedures for Shareholders' General Meetings, the amendments to the Rules of Procedures for the Board of Directors, the amendments to the Articles of Association, and the general mandate to issue new shares. The meetings were held in accordance with relevant legal procedures.

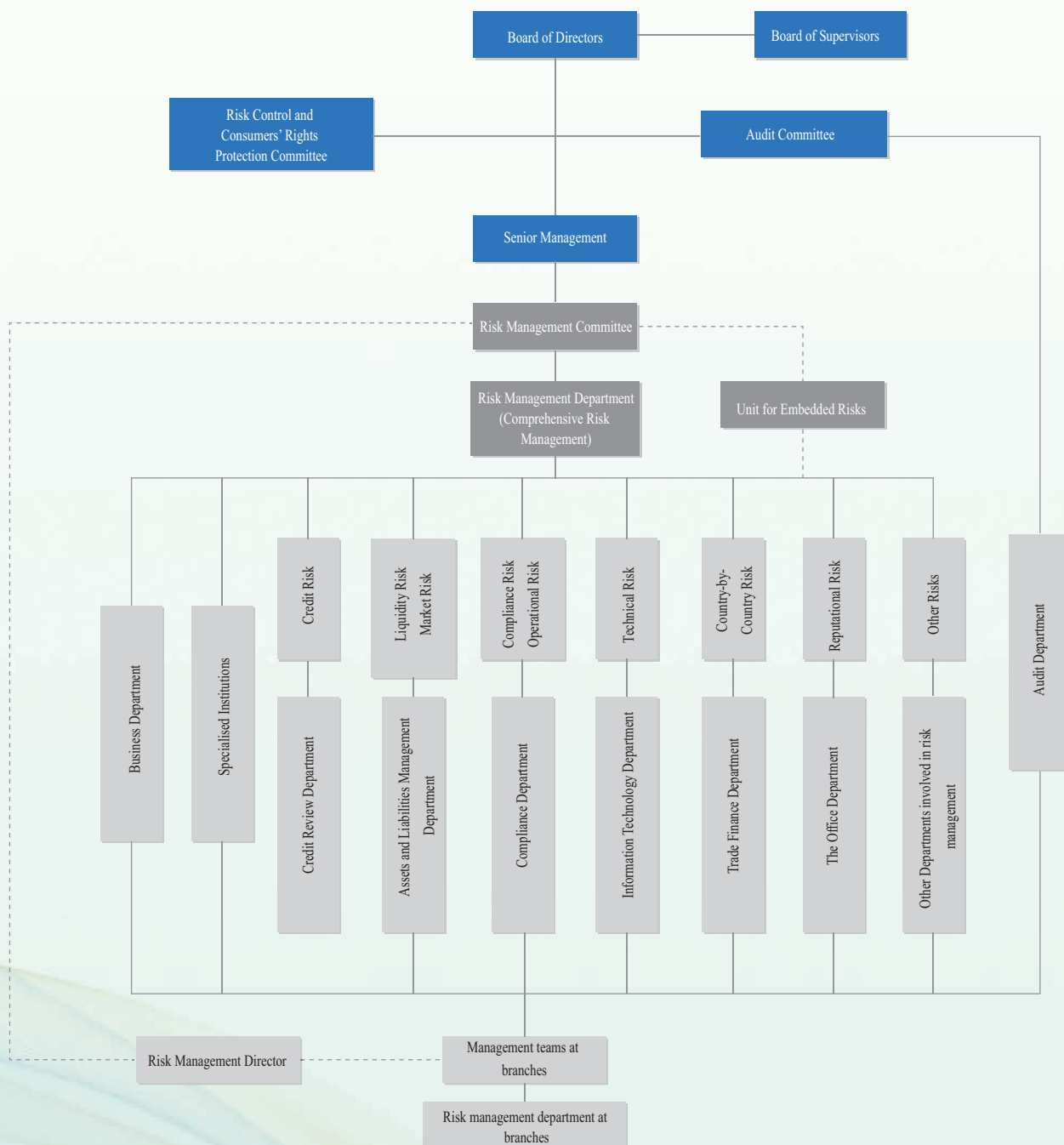
As at the end of the reporting period, the Bank held 12 meetings of the Board of Directors (including written resolutions), which reviewed and approved 48 proposals and heard 3 proceedings. As of the disclosure date of this report, the Board of Directors of the Bank consisted of 14 directors, among whom 3 were executive directors, 6 were non-executive directors and 5 were independent non-executive directors. Independent non-executive directors accounted for no less than 1/3 total directors in the Board. The Board of Directors had 5 special committees, i.e. the Strategic Development Committee, the Risk Control and Consumers' Rights Protection Committee, the Audit Committee, the Related Party Transactions Control Committee and the Nomination and Remuneration Committee.

As at the end of the reporting period, the Board of Supervisors held 9 meetings in total, reviewed and approved 34 proposals, and heard 3 reports. As of the disclosure date of this report, the Board of Supervisors had 9 members, including 3 shareholder supervisors, 3 employee supervisors, and 3 external supervisors.

### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

#### 3.2 ENHANCE RISK MANAGEMENT

Organisational Structure of the Risk Management System





### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



The Bank attaches great importance to risk management. The year 2019 marked the beginning of reshaping its comprehensive risk management system, and the Risk Management Department followed the business strategy of enhancing business management and market image building and acted with entrepreneurship to define the top 10 risk management tasks targeting risk management pain points, establish a risk management-oriented organisation, specify risk management duties and positions of the Head Office and branches, carry out training and performance management, tackle key obstacles, comprehensively improve the credit risk system by refining mechanisms, policies, and procedures, mitigate the risks of existing loans, strictly control the risks of new loans, enhance post-lending management, and provide early risk warnings, so as to truly ensure proactive, systematic, and comprehensive risk management.

In 2019, the Bank completely analysed and reviewed its risk management system, and formulated and revised risk management policies, rules, and procedures in a timely manner. Throughout the year, we issued a total of more than 10 risk management policies, covering credit granting, authorisation management, credit usage and collateral management, post-lending management, early risk warning, and other critical areas and steps. This significantly improved the risk management system and laid a solid foundation for the coordinated implementation of risk management tasks.

The Bank persistently improved its risk management process and policy propagation mechanism, continuously strengthened the process for promoting business risk management policies, and dispatched risk directors to relevant departments of the Head Office and risk directors to branches to reinforce risk management. We held special meetings, arranged Head Office leaders to conduct onsite investigations, and performed regular reporting, so as to communicate risk management policies and meet risk management requirements in a timely manner. By offering risk management lectures, we also set up an important bank-wide risk management training and communication platform that integrated the Bank's risk management function, business management function, banking experts, and other optimal resources to propagate the Head Office's risk management policies, help risk management personnel improve expertise, and ensure that all risk management personnel of the Bank stayed informed of and effectively implemented the Head Office's policies, measures, and requirements for effective business risk management. The Bank has established a risk management communication mechanism between the Head Office and branches to allow the Head Office to inform the branches of risk management requirements and the branches to provide implementation feedback. We have also driven the development of risk management IT systems to offer more technical support to risk management.



### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

#### 3.3 SOUND AND COMPLIANCE-BASED OPERATION

Shengjing Bank has a scientific, complete, and proper internal control system in place to ensure legal compliance during business operation and management, effective risk management, and authenticity and completeness of business, finance, and management information, helping archive its development strategies and business objectives.

The Board of Directors of the Bank is responsible for establishing and implementing an effective internal control system to ensure that the Bank operated prudently within the framework of laws and policies. The Board of Directors had five special committees, i.e. the Strategic Development Committee, Audit Committee, Related Party Transactions Control Committee, Risk Control and Consumers' Rights Protection Committee and Nomination and Compensation Committee, to effectively supervise senior management monitoring and evaluating the adequacy of the internal control system. The Board of Supervisors of the Bank supervises and assesses the performance of the Board of Directors and senior management in establishing and improving the internal control governance structure. We had the Supervision Committee and Nomination Committee, and effectively supervised the fulfilment of duties of directors, supervisors, and executives by considering their internal control management performance during performance appraisal. The senior management of the Bank is responsible for carrying out the decisions made by the Board of Directors, formulating systems, processes and methods based on acceptable risk levels determined by the Board of Directors, adopting corresponding risk control measures, establishing and improving the internal organization structure, and ensuring that the responsibilities for internal control are effectively fulfilled. The senior management adjusted its committees to include the Assets and Liabilities Management Committee, Risk Management Committee, Marketing Committee, Asset Preservation Committee, Information Technology Management Committee, Internal Control Committee, and Financial Review Committee, so as to ensure the effective implementation of various internal control responsibilities.

The Bank has established an efficient and properly balanced internal control structure as well as a bank-wide effective multi-layer internal control system and processes. We kept polishing internal control during business activities to bring risk management and internal control to a higher level, ensure sustainable and coordinated development of various businesses, and effectively prevent operational risks. In compliance with the requirements of regulators and the Bank itself, it regularly maintained and updated its policies to ensure that they covered business areas and risk points as expected and properly served as guidelines and instructions. During the reporting period, the Bank formulated and revised over 100 rules and policies regarding business management and risk management, effectively regulating business operations and reinforcing the role of policies as business guidelines. The Bank stuck to a risk management process with full coverage, carried out risk research and management from the forward-looking perspective, and employed qualitative and quantitative methods to identify, measure, evaluate, monitor, report, control, and mitigate various risks, gradually improving its risk management capabilities. We have built and improved a comprehensive risk management system in a progressive manner that

### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



combines policy, organisation structure, management procedure, and management tool, among others, to address a range of risks including credit risks, market risks, operational risks, and liquidity risks, so as to ensure that the risks are within control. We put in place an internal control supervision system, which incorporated on-site and off-site inspections, regular and irregular inspections, and proactive and passive inspections, to step up inspection and supervision. In order to further identify, monitor, and assess various risks, the Bank continued to develop and improve risk identification and assessment processes for its three lines of defence.

#### **Compliance Checks**

Shengjing Bank established a compliance management system adaptive to its development strategy and organisation structure to effectively identify and manage compliance risks, and taken effective control measures to support operational compliance, which include: issuing the Basic Rules of Shengjing Bank on Compliance Management to ensure effective compliance management and clarify related responsibilities; advocating and promoting the “operational compliance and integrity” philosophy, strictly observing laws, regulations, and regulatory requirements, and prudently conducting various business operation and management activities; assigning the ultimate responsibility for the compliance of operation activities of the Bank to the Board of Directors, and having the Board of Directors, Board of Supervisors, senior management, as well as organisations (departments) and employees at all levels assume their respective compliance management duties to ensure operation and management activities comply with laws, regulations, and the Bank’s development strategy; fully considering the association between compliance risks and credit risks, market risks, operational risks, as well as other risks during compliance risk management to ensure consistent risk management policies and processes.

#### **Internal Audit**

The Bank’s Board of Directors is responsible for establishing and maintaining an independent vertical internal audit system. The Board of Directors had an Audit Committee, and the Bank’s internal audit functions were responsible to and report to both the Board of Directors and the Audit Committee. Meanwhile, they were subject to the instruction, review and appraisal of the Board of Directors and its Audit Committee, the supervision of the Board of Supervisors, and the supervision and appraisal of external regulators, such as banking regulators.

Shengjing Bank promulgated the Internal Audit Charter of Shengjing Bank Co., Ltd. (Revision) and the Basic Rules of Shengjing Bank Co., Ltd. for Internal Audit (Trial) as internal audit guidelines. We also formulated the Measures for Administration of On-site Audits of Shengjing Bank Co., Ltd. (Trial) and the Measures for Administration of Off-site Audits of Shengjing Bank Co., Ltd. to regulate audit engagements.



### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

The Bank's internal audits were independent, objective supervision, assessment, and advisory activities during which the Bank leveraged systematic and standardised methods to conduct review and assessment and drive improvement of its business operation, risk management, internal control, and corporate governance for robust growth and value creation. The Bank's internal audits were independent of its business management, risk management, and internal control and compliance functions, and aimed to assess the effectiveness of these functions. The internal audits were risk-focused activities based on the principle of independence and objectivity. The Bank continuously improved its internal auditors' expertise and work ethics, so as to ensure that internal audits are carried out in an objective and just manner.

#### **Employee Behaviour Standardisation**

In order to regulate employee behaviour and improve employee self-discipline, the Bank promulgated and implemented the Shengjing Bank Employee Compliance Manual, Shengjing Bank Employee Code of Conduct (Trial), Shengjing Bank Prohibited Employee Behaviours (Trial), and Measures of Shengjing Bank for Punishing Violations by Employees (Trial) to strengthen institutional restraints and guidance, which may result in enforcing regulation from the positive side, imposing punishments under negative circumstances in order to address any irregularities. The Bank combined focused investigations on employee behaviours with day-to-day training, made full use of the workers' representatives, democratic life meetings, and employee seminars to organise employees to participate in educational campaigns on the operational compliance philosophy, professional ethics, and cases at regular or irregular intervals, and guide employees to learn national laws and regulations and relevant industry regulations, so as to urge all employees to abide by professional ethics and enhance their risk awareness in daily work.

#### **Anti-Corruption Policy**

Shengjing Bank's Party Committee attaches great importance to improving Party conduct and moral integrity and battling corruption. Following the President Xi Jinping's thought on socialism with Chinese characteristics in the new era, the Party Committee fully shouldered the major responsibility for Party conduct and moral integrity as well as strict Party self-governance, focused on the prevention of key issues such as bribery, extortion, and fraud based on the actual situations of mixed ownership financial enterprises that are listed overseas, comprehensively drove strict Party and bank governance to facilitate business development, and signed the Party Conduct and Moral Integrity Responsibility Commitment with all departments and branches of the Head Office for tiered supervision and implementation, so as to establish a Party conduct and moral integrity management system and make work arrangements led by the Party Committee, coordinated by the Discipline Inspection Committee, and jointly implemented by the departments and branches. The Party Committee seriously promoted and abided by China's laws, regulations, and financial policies, advocated the business philosophy of "taking compliance as the key foundation of the Bank", exhausted efforts to drive anti-corruption propaganda and warning education, and persistently reinforced work ethics and self-discipline, so as to strongly crack down the "four forms of decadence", effectively prevent bribery, extortion, fraud, and other delinquent behaviours, and actively build a clean and healthy development environment, offering a firm ground for sustainable and robust growth of Shengjing Bank.

### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



#### Preventive Measures

1. The Bank enhanced management via the disciplinary inspection and supervision system, optimised the investigation and inspection mechanism, and issued the Measures for Administration of Disciplinary Inspection and Supervision for Shengjing Bank as a guideline for proper disciplinary inspection and supervision. We also optimised the policy on employee accountability for violations by issuing the Accountability and Punishment Rules of Shengjing Bank, Measures for Administration of Business Practitioner Punishment Information of Shengjing Bank, etc., gradually forming a standardised accountability management system.
2. Based on its actual business conditions and staff mindsets, the Bank paid much attention to warning education with violation the expected result. We required all our 5,500 working business practitioners to contribute their views in writing based on the decisions of punishment on related violation cases, the expected effect is good.
3. The Bank strengthened supervisory and disciplinary actions. On the one hand, we reinforced the “Three Important and One Large” policy to intensify supervision and inspection on important financial matters, important procurement of commodities, important personnel appointments and dismissals, and usage of large amounts of fund. Our supervision function also attended the tendering meetings of the centralised procurement centre of the Head Office to enable early detection and prevention of even minor issues to ensure legitimate use of power. On the other hand, we stepped up regulation of business management personnel at all levels in areas including leave application, prohibition of use of the Bank’s vehicles in holidays, custody of personal passports, disclosure of personal matters, and confidentiality policies, strongly safeguarding the legal rights and interests of the Bank.
4. The Bank heavily reinforced the accountability policy and disciplinary actions. We seriously investigated into and seek accountability for violations detected duration regulatory inspections and internal inspections to defend policies, and strictly punished personnel responsible for violations of laws and disciplines, effectively deterring violations. In 2019, a total of 125 employees were held accountable for various violations. These efforts further urged all employees to ensure compliance, diligently perform duties, prevent corruption, and drive legal, compliant, and prudent business operations.
5. The Bank conducted thorough check of abnormal employee behaviours. As required by regulators, we thoroughly checked all our branches and staff on a regular basis for abnormal employee behaviours, market interruption behaviours, gang activity clues, and illegal financial activities, and adopted a zero-tolerance attitude to fully detect and prevent unlawful acts such as illegal fundraising, illegal lending, and financial fraud. These strict regulation and supervision measures covered all jobs and business practitioners, regardless of their grades, so as to fully prevent ethical and business risks.



### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

#### Anti-Money Laundering Management

The Bank strictly complied with China's anti-money laundering (AML) laws and regulations, solidly performed its statutory duties and social responsibilities concerning AML, and proactively built a money laundering risk management culture to raise all the staff's awareness of money laundering risk management and create an AML-oriented working atmosphere of proactive management and compliant operation. The Bank followed the "risk-oriented" AML principle, continuously optimised its AML monitoring system, improved suspected transactions monitoring indicators, strictly enforced policies on identifying clients and keeping records of client identities and transactions, complied with the AML work confidentiality policy, and enhanced management of the watch list for AML and anti-terrorist financing (ATF). We also regularly performed AML performance inspection and appraisal and reinforced special training to keep adding value to suspected transactions reports and improving AML and ATF management capabilities. In addition, the Bank actively launched AML propaganda campaigns, advanced combats against mafia-like activities, further raised the public understanding of AML and their awareness of fighting against mafia-like activities, and stepped up prevention and reduction of AML risks, so as to create a social atmosphere favourable to AML with the public.



In May 2019, the Bank organised a large-scale extensive AML propaganda campaign. During the campaign, we combined conventional and innovative media such as video playback on TV and via WeChat to reach a greater variety of audiences through more diversified channels. As many as 3,336 employees of the Bank participated in the campaign; a total of 100,000 copies of publications were handed out; over 21,000 enquiries were answered; visits were paid to 200 communities, 23 campuses, and over 700 businesses; 20 large activities were held; and up to 430,000 audiences were covered. These effective propaganda measures further raised the public's awareness of the prevention and crackdown of money laundering, enhance their knowledge about money laundering and terrorist financing, and built joint efforts with the society to battle money laundering.

### 3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



#### Intellectual Property Protection

The Bank carried out intellectual property-related work in accordance with national laws and regulations such as the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China, employed intellectual property rights to support and protect business operations, improved the intellectual property rights management system, and enhanced the Bank's core competitiveness. In order to prevent violations of intelligent property rights, the Bank issued legal opinions about enhancing intellectual property protection, notices on regulating authorisation of use of fonts for publications, etc., and performed inspection before external propaganda. While endeavouring to do a good job of applying for, managing and protecting its own intellectual property rights, the Bank respected the legal rights and interests of others and guarded against the risk of infringing others' intellectual property rights.



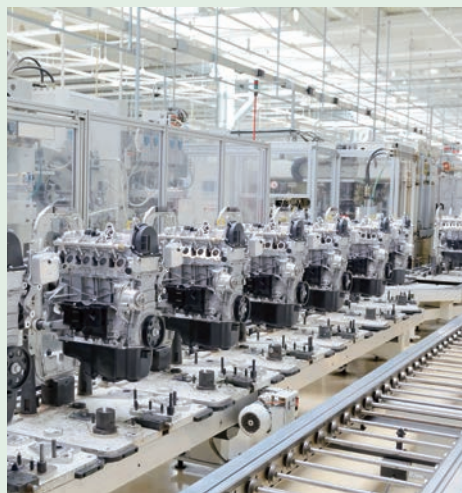
## 4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD

### 4.1 EMPOWER THE REVITALISATION OF THE ECONOMY OF NORTHEAST CHINA

Shengjing Bank was the earliest to set up its head office in Northeast China, which is larger than its peers in the region. We have always adhered to the positioning and strategic goal of “becoming a bank that drives strategic development of the regional economy, supports emerging industries and SMEs, and serves the public”. We give full play to the institutional and decision-making advantages of the Head Office and continues to increase credit support for the local economy. We make relentless efforts to help with the construction of key industrial bases, the upgrading of traditional industries, and the development of strategic emerging industries by introducing a variety of financial products, optimizing the approval process, and improving service efficiency. By doing so, we have played an important role in promoting economic and social development in Northeast China, and has made important contributions to the revitalization and development of old industrial bases in Northeast China.

#### Case

Changchun is widely known as China's “City of Cars”. The Bank's Changchun branch persistently provided efficient and professional customer-oriented financial services to large local car manufacturing groups, and built less time-consuming standardised business processes by further optimizing its approval process and business handling process and properly setting approval criteria. We introduced a great variety of credit products to satisfy diverse financing needs of enterprises, such as bank acceptance bill, working capital loan, letter of credit, letter of guarantee, and trade financing. In addition, the branch stepped up efforts to support private enterprises and small and micro businesses with excellent potential in Changchun. We carried out comprehensive cooperation with these enterprises in industry planning, product launch, investment and financing, financial settlement, etc. In recent years, the branch has been echoing calls from the central government as well as provincial and municipal governments to actively facilitate the development of small and micro businesses in Changchun with loans totalling RMB3 billion.



### 4.2 SUPPORT THE INTEGRATION OF THE BEIJING-TIANJIN-HEBEI REGION

While developing the annual work plan for 2019, the Bank emphasized its strong support for the key national development strategies including the Belt and Road initiative, the Beijing-Tianjin-Hebei coordinated development plan, and the Yangtze River Economic Belt. We fully capitalised on our advantages of having branches in critical areas including Tianjin, Beijing, and Shanghai to increases the credit support for key projects through effective joint marketing by branches in and outside the Liaoning province.

## 4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD (Continued)



### The Bank added product functions and improved service capabilities.

The Bank took the national strategy of Beijing-Tianjin-Hebei coordinated development as a major opportunity to market its services, and identified the needs for financial services arising in the course of infrastructure construction, relocation of non-capital functions of Beijing, transfer of industrial resources, industrial restructuring and M&A, and ecological and environmental governance in Beijing, Tianjin and Hebei. In response to innovative businesses, the Head Office continued to speed up its R&D and cooperated with branches to implement product and function marketing. In addition, the Bank continuously improved its service capabilities and developed specialty products that meet the individual needs of clients.

### The Bank drove cooperation with governments.

The Bank took advantage of the opportunities in the development of the Binhai New Area and the establishment of the free trade zone and the National Innovation Demonstration Zone there to increase support for the Binhai New Area, and focused on high-quality customers in biomedicine, new energy and modern service industries located in the area. We engaged in active communications with the administrative committees of the nine functional zones based on reciprocity and mutual benefit to support the development of industries with local advantages and economic development and transformation in the Binhai New Area. The Bank entered into the Strategic Partnership Agreement Between Tianjin Branch of Shengjing Bank and the People's Government of Tianjin Binhai New Area, establishing a long-term mechanism for market-based operations to explore diverse modes of cooperation and establish close cooperative relations.

### The Bank significantly supported cross-border investment.

As the Belt and Road initiative advances, the Bank actively performs marketing among large and medium clients. In order to help them go global, we offered a series of financial services covering remittance, settlement, financing, and financial advisory, and will continue to issue a series of policies and measures during business development to optimise the business policy system and further regulate, standardise, and facilitate our services for the real economy.

### Case

A subsidiary of a large pharmaceutical group had business presence in Beijing and most of Hebei Province. In 2019, the Daxing Sub-branch of our Beijing Branch established partnership with the subsidiary. The Bank offered credit support to the subsidiary mainly through bank acceptance bills, which facilitated the subsidiary to purchase medicine from its suppliers. As such subsidiary sold the medicine mainly to chain drug pharmacies and community health service centres in Beijing and Hebei, its business operation may contribute to the integration of the Beijing-Tianjin-Hebei region.







## 4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD (Continued)

### 4.3 SUPPORT INCLUSIVE SMALL AND MICRO BUSINESSES

In order to ensure steady progress in serving micro businesses, the Bank formulated and updated several business promotion policies in 2019 based on its original policies as well as regulatory requirements, customer demands, business development, and industrial surveys, including the Measures for Administration of the Credit Business of Shengjing Bank for Small and Micro Businesses (Revision) and the Detailed Rules of Shengjing Bank on Implementation of Credit Granting to Small and Micro Businesses (Trial). We further clarified positions and duties and coordinated, regulated and standardised business procedures to facilitate compliance and robust development of businesses. In addition, the bank optimized business process and further improved service quality and efficiency.

Following our “mainstream clients in major sectors and premium clients in promising industries” principle, we deepened our customer-oriented strategy to win customers mainly from supply chains, business circles, home mortgage loans, governments, guarantee institutions, and insurance companies and implement the “1+N, 1+1” business mode for credit granting to small and micro businesses. In addition to generating driving forces from traditional businesses targeting small and micro businesses, the Bank meet the personalized needs of small and micro business customers by introducing a variety of guarantee portfolios, provide special products based on customer types and features, and offering mixes of traditional and innovative products.

### 4.4 ENHANCE AGRICULTURE-RELATED DEVELOPMENT

The Bank has adopted preferential credit support policies for agribusinesses to do its utmost to promote economic development at county level and rural economic development. Priority was given to satisfying agribusinesses' need for credit to fully support industrial structural adjustment in rural areas and promote entrepreneurship among farmers and the development of the real economy. The Bank provided preferential policies and interest rates for agriculture-related loans for rural infrastructure construction, small and micro businesses and technological innovation. In order to effectively optimise the credit granting process and improve efficiency in approving agriculture-related loans, while keeping risks under control, according to the financing characteristics of "small, frequent, urgent and fast" of "agriculture-related loans, in line with the concept of “customer first, high-quality services, good operation and management optimization”, the Bank has opened up green channels, innovated the loan mode, optimised the credit process and the service mechanism to ensure timely issuance of agriculture-related loans.

### 4.5 PROMOTE THE DEVELOPMENT OF LIVELIHOOD-RELATED FINANCIAL SERVICES

Shengjing Bank is committed to serving local economies. We leveraged business outlets as the foothold to drive financial inclusion, continued to improve our financial inclusion service system and properly expanded the service coverage. We also capitalised on Internet financing to persistently provide consumer loan services to the public in line with our mission to serve financial inclusion customers and the real economy. In order to drive transformation and upgrade of our personal credit business, the Bank successfully established a personal credit business system based on the latest regulatory requirements and actual business needs and with consumption loans being the business core. Considering consumers' financing demands for designated purposes such as home furnishing, education, and health care, the Bank launched a product portfolio consisting of house mortgage loans, personal comprehensive consumption loans, automobile consumption loans, and e Loans.



## 5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION



### 5.1 OFFER GREEN CREDIT

With significant attention to green credit management, the Bank continuously improved the long-term green credit development mechanism, systematically drove the establishment of the green credit system, gradually increased the capability to deliver green financial services, effectively promoted coordinated development of the economy, society, resources, and environment, and endeavoured to enhance our competitiveness and business operation expertise for development model transition.

While implementing effective risk control in 2019, the Bank continued to pursue the green credit business and invested more efforts to develop a green, circular, and low-carbon economy, pragmatically improving its capability to grant green credit. We also persistently sought mechanism, system, and product innovation in aspects such as industrial upgrade, energy conservation and emission reduction, low-carbon environmental protection, and green economy for regional pillar sectors, key sectors and emerging sectors of strategic importance, and adjusted the business structure, so as to promote a green economy with premium financial services. As at 31 December 2019, the Bank's green loan balance totalled RMB7.602 billion, significantly driving the development of a green, circular, and low-carbon economy in the region.

### 5.2 PROMOTE GREEN SERVICES

The Bank continuously added online channels to enable customers to choose among contactless service options according to their behavioural habits. We also offered various authentication modes in line with transaction amount limits to ensure the security of customer funds. Meanwhile, we integrated and upgraded our original business segments to bring a greater proportion of offline functions online, so as to better meet the customer demand for online financial services. Further, we streamlined transaction procedures to improve customer experience.



#### Self-service Banking

Shengjing Bank accelerated the construction of intelligent business outlets to create a proper fintech service system, with a focus on the application of intelligent facilities such as intelligent counters, remote video banking, and high-speed cash recycling systems (CRS). We also drove system function iteration to upgrade various personal business functions intended for financial and non-financial services, and to improve self-service device features and customer experience. As at 31 December 2019, the Bank had 1,692 self-service devices (including CRSs, enquiry and payment machines, portable card issuing machines, VTMs, intelligent counters, high-speed CRSs, interactive desktop devices, etc.).

## 5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)



### Online Banking

The Bank adopted a customer-centric business philosophy and continued to upgrade mobile banking and online banking functions in line with customer habits, persistently improving customer experience and steadily driving business traffic and transactions. We further improved our online financing services for enterprises based on their requirements to enhance settlement efficiency and services. As at 31 December 2019, the cumulative number of online corporate banking customers reached 32,100, an increase of 38% from the end of the previous year; the number of online corporate banking transactions was 1,447,100; and the amount of transactions totalled RMB2,164.95 billion. Considering the diverse requirements of customer groups for payment limits and authentication modes, we continued to optimise our online banking functions and service experience, ensuring convenient, secure online services for customers. As at 31 December 2019, the cumulative number of online personal banking customers reached 583,600, an increase of 24% from the end of the previous year; the number of online personal banking transactions was 982,400; and the amount of transactions totalled RMB34.71 billion.



### Mobile Banking

Shengjing Bank upgraded its mobile banking services mainly through introducing a new mobile banking app, which leverages the Mobile Internet to deliver convenient, intelligent, and secure services to address customer demands anytime anywhere. We persistently explored the field of financial and living service scenarios covering wealth management, payment and settlement, and fee charging, and enhanced our mobile banking functions accordingly to drive online integration of financial and non-financial business ecosystems. These helped the Bank gain an additional of 1,235,400 mobile banking customers, an increase of 75% year on year.



### WeChat Banking

The Bank proactively enriched its WeChat banking functions and provided users with services such as account information notification, account enquiry, credit card application, corporate account opening appointment housing fund enquiry, ETC manager, and mobile phone recharging. It has enabled customers to access the online customer service platform via WeChat for 24/7 manual customer services, and enabled small and micro enterprises to access its intelligent convergence platform where it provides special financial offerings to such enterprises. By using WeChat banking, Shengjing Bank achieves a greater diversity of customer service channels and marketing channels, keeps customers informed of its latest product information, and helps customers securely and properly use banking products and services. As at 31 December 2019, the number of WeChat banking customers of the Bank reached 590,400, an increase of 60% from the beginning of the year.

## 5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)



### 5.3 ADVOCATE GREEN OPERATION

The Bank regards the protection of environment and resources as its important responsibility. Therefore, we strictly abide by Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Water Law of the People's Republic of China, and other relevant laws and regulations.

To further improve the level of energy management and promote the concept of green office, the Bank established rules and policies including the Management Measure of Shengjing Bank for Green Offices and the Implementation Regulations of Shengjing Bank for Energy Conservation in Offices, carried out propagation and education activities in various forms and communicated the documents from the government, CBIRC, and the Head Office regarding energy saving and emissions reduction to relevant parties. The Bank vigorously promoted the construction of office automation systems and remote video conferencing systems, actively promoted paperless office and raised employees' awareness of energy conservation to facilitate the recycling of resources and reduce resource consumption.

The Bank actively promoted green operations, and strived to integrate the concept of environmentally-friendly, energy-saving and low-carbon sustainable development into daily operations. The Bank is committed to improving the use efficiency of energy, water resources and materials, reducing natural resource consumption in accordance with national and local laws and regulations related to its business, contributing to environmental protection and ensuring the effective implementation of energy conservation.

#### Energy consumption and greenhouse gas emission by the Bank in 2019

Type	Unit	2019
Head office power consumption	10,000 kWh	302.94
Head office water consumption	Ton	71,966
Head office oil consumption*	L	79,221
Head office natural gas consumption	M <sup>3</sup>	23,535
Head office greenhouse gas emission	Ton carbon dioxide equivalent	2,576.33
– Direct greenhouse gas emission**	Ton carbon dioxide equivalent	222.79
– Indirect greenhouse gas emission***	Ton carbon dioxide equivalent	2,353.54

\* Including oil consumption by armoured trucks rented by the Bank's outlets in Shenyang.

\*\* Including greenhouse gas emission resulting from natural gas consumption and oil consumption

\*\*\* Including greenhouse gas emission resulting from power consumption and municipal heating supply

## 5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

### Measures of Energy Saving and Emissions Reduction

In response to the call of the country to “build a resource-saving, environmentally-friendly and harmonious society,” the Bank has actively promoted green offices, pushed the implementation of energy conservation and increased the use efficiency and economic benefits of energy. Closely focusing on “energy conservation, emissions reduction, and scientific development”, the Bank adopted various methods to implement energy conservation and emissions reduction in daily management based on local conditions, which involved every employee. The methods are as follows:



Reducing power consumption: Electrical appliances such as air conditioners and lights as well as office equipment such as computers and printers were turned off when not being used. Power supplies were cut after duty hours. Lifts were not used on the first three floors of its buildings.



Reducing water consumption. The Bank strengthened daily maintenance of water equipment and performed regular inspection and repair to avoid waste of water.



Reducing office supplies consumption. The Bank strictly managed requests for and use of office supplies, promoted online officing, reduced the generation of paper documents, and required two-sided printing.



Reducing oil consumption of vehicles. It solidified the achievement of vehicle usage reform, conducted regular vehicle maintenance, and properly performed vehicle scheduling to effectively control oil consumption.



Saving water, power, oil, and other types of energy. The Bank fully capitalised on office systems accessed via PCs and mobile devices, accelerated digital and paperless offices, relentlessly promoted the concept of green and environment-friendly office, arranged checks, and reported check results.



Promoting a green data centre. Shengjing Bank continued to use virtual servers to replace physical servers, saving procurement, power and cooling costs and reducing demands for energy and cooling. As at the end of 2019, Shengjing Bank's data centre had 1,632 virtual servers, reducing procurement costs by more than RMB92 million, cutting operation and maintenance costs by more than RMB99 million, saving 14 million kWh electricity and reducing the emission of over 11,000 tons of carbon dioxide.

## 5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)



### Disposal of Wastes



Recycling and reusing replaced terminal devices. In 2019, 258 devices were recycled (including 67 terminals, 133 passbook printers, 21 needle printers, 35 gold card keyboards, and 2 network devices), and 13,701 consumables (including print cartridges, toner cartridges, and ribbons) were used.



Centralised disposal of newspaper, magazine, and books to prevent waste of resources.



Designating personnel to handle hazardous waste to avoid pollution.



Recycling and reusing electronic office devices for better resource utilisation.

### Procurement Management

Shengjing Bank formulated the centralised procurement management policy which features bank-wide centralised management, two-level authorisation, and supervision for checks and balances. The Bank selected industry-leading suppliers based on project characteristics. In principle, the Bank pursuing centralised procurement shall purchase domestic goods, engineering expertise and services, and give priority to energy-saving, environment-friendly and state-supported products. We mainly considered whether the suppliers:

Were capable of independently assuming civil liabilities

Had sound business reputation and well-established financial accounting systems

Possessed the equipment and expertise to implement contracts

Boasted positive records on paying taxes and social security funds in accordance with laws

Had never seriously violated laws or were never subject to large administrative penalties during business operations

Met the other justifiable conditions put forward by the Bank considering its business development and actual needs



## 6. RECIPROCATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT

### 6.1 Improve Service Quality

With the customer-centric service philosophy, we strengthened service awareness across the Bank and strived to improve service quality management with frequent multi-dimensional bank-wide efforts. According to service management requirements, the Bank carried out service inspections that covered external and internal environments, convenience facilities, and service quality of business outlets, so as to improve the service quality and efficiency.

The Bank continued to optimise its service environment and customer experience through standardised environment optimisation, standardised service outlet management, and standardised marketing across business outlets; frequent and regular service supervision and inspection; a well-established customer complaint system; and optimised online service channels.

During the annual appraisal of high-quality, civilised services, 7 business outlets were granted the “Star-Rated Banking Outlet China” honorary title, 5 employees received the “Outstanding Supervisor and Role Model of Civilised Services in the Banking Sector of Liaoning” honorary title, and 4 branch outlets were nominated for the national competition of “top 1,000 business outlets with high-quality and civilised services of the year”.

#### User-friendly Facilities in the Outlets

The Bank stepped up the construction of user-friendly facilities, taking the actual needs of special customer groups, including those senior in age, weak, ill, or pregnant or with a disability, into consideration when making the general plan of outlet construction, so as to fulfil its social responsibility. The Bank has established 169 ramp ways, 145 parking lots for the disabled, 83 braille guidebooks, 80 cards for aiding the blind, 308 voice queuing machines, 554 braille keypads, 236 voice currency detectors, 504 voice ATMs, 804 voice displays, 256 priority seats, 185 priority counters, and 144 pet stations. In addition, each outlet is equipped with first-aid kits and reading glasses. Some outlets have child seats, charging equipment for phones, and other facilities. Also, customers with visual impairment are allowed to bring their working guide dogs which have been registered, certificated with identification marks into the outlets.







### Broaden Service Channels

Following national development strategies, such as the integration of the Beijing-Tianjin-Hebei region, the development of the Yangtze River Economic Zone, the revitalisation of Northeast China, and the innovation-driven growth of the Liaoning province, the Bank optimised its outlet distribution and expanded its customer service channels. As at the end of 2019, the Bank had 1,692 self-service devices in operation. In this year, we further deployed intelligent devices, including intelligent counters, high-speed CRSs, and interactive desktop devices, to enrich the device types and service functions for better service quality at the business outlets. In addition, the Bank stepped up efforts to build more 24/7 self-service outlets and clarified criteria on device configuration, operation management, and brand image building accordingly to enable customers to access services through a greater variety of channels.



## 6.2 Safeguard Customers' Rights and Interests

The Bank formulated rules and policies, including Working Guidelines of Shengjing Bank for Protecting Customers' Rights and Interests (Revision), Responsibility System of Shengjing Bank for Protecting Customers' Rights and Interests (Revision), and Measures of Shengjing Bank for Administration of Customer Complaints (Trial). The Bank also established a quick complaint handling procedure, which enables customers to make complaints via phones, emails, comments books and other methods. In addition, the Bank enhanced the protection of personal information, included basic personal information, financial information, and transaction information into the protection scope, and strengthened management and control of collection, preservation, delivery and retrieval of the information with IT system, business process, and operation policies. Through education, the Bank also raise its staff's awareness of risks and confidentiality to ensure that they would comply with confidentiality policies and honour confidentiality commitments.

## 6. RECIPROCATATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)

The Bank fulfilled its social responsibility and helped build a harmonious society by proactively carrying out campaigns to propagate financial knowledge. In 2019, Shengjing Bank organised a total of six large financial knowledge propagation and education campaigns for public welfare, including those launched jointly with regulators, i.e. the activities on the World Consumer Rights Day, the activities in the week of education on consumers' rights protection, the activities of "propagating financial knowledge for safety of funds", the activities of spreading financial knowledge, and the activities in the month of financial knowledge propagation to "deliver financial knowledge to thousands of families and to encourage rational investment and proper online financial services usage." The other one was the Bank's one-month activity for propagation of consumers' rights protection themed "advocating rational investment and enjoying quality lives". During the year, we participated in 1,860 public education activities, which involved 9,000 volunteers, 1,042,900 audiences, and 744,500 copies of publications.

### 3.15 Campaign for Further Protecting Customers' Rights and Interests

From March 1 to March 31, 2019, the Bank voluntarily carried out a one-month propagation campaign on protecting consumers' rights and interests, echoing the International Day for Protecting Consumers' Rights that fell on March 15. During the campaign themed "advocating rational investment and enjoying quality lives", the Bank fully capitalised on financial knowledge education bases and volunteers to relentlessly and intensively promote financial knowledge, with a focus on wealth management that drew most consumer attention over the past few years and in various forms including propagation material creation, large public welfare events, selection of outstanding young volunteers, open classes, and satisfaction surveys. It was a special event of the Bank to fulfil its social responsibility, which improved the public's awareness and capability of self-protection and laid a solid foundation for comprehensively deepening financial knowledge education among the public.





### Campaign for Spreading Financial Knowledge

In order to properly implement the decision of the China Banking Association on continuously improving the public's financial knowledge and financial safety awareness and building a harmonious and stable financial market environment, Shengjing Bank organised its branches to roll out a one-month campaign for spreading financial knowledge about personal information protection, telecom and internet fraud prevention and protection, payment security, fighting against illegal fundraising, and wealth management. It leveraged centralised propagation on the kick-off day, financial knowledge propagation in campuses, open classes in financial education cases, etc, to deliver knowledge about the key areas and issues concerning consumers. With the highlights of a special campaign of financial knowledge propagation in Shenyang University and a special campaign of "Party members contributing to financial knowledge propagation", the Bank effectively raised its employees' awareness of consumer protection and created a sound atmosphere that encouraged the public to learn, understand, and use finance.



## 6. RECIPROCATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)

### Campaign for “Delivering Financial Knowledge to Thousands of Families in the Month of Financial Knowledge Propagation”

In order to encourage consumers and investors to make rational and proper choice and use of financial products and services, Shengjing Bank followed the plan of PBOC Shenyang Branch and CBIRC Liaoning Bureau and organised its branches to launch the campaign for “delivering financial knowledge to thousands of families and encouraging rational investment and proper online financial services usage” in September 2019, with an aim to propagate financial knowledge, prevent financial risks, and jointly build a well-off society. During the campaign, the Bank propagated financial knowledge throughout the “Shenyang Marathon”, an international event. At the Expo for Shenyang International Marathon, the Bank held the kick-off ceremony and helped the visitors learn financial knowledge through prize-winning knowledge contest, interactive lectures, and RMB-related games, which created a good education atmosphere and effectively broadened the audiences’ financial knowledge for more rational and proper choice and use of financial products and services. We also enabled them to identify financial rumours spreading over the Internet and negative understandings of finance, so as to jointly build a healthy cyberspace and encourage consumers to become more finance-savvy.







### 6.3 Contribution to Staff's Development

The following table shows the statistics of employees by gender, employment type, age, and region, as well as the number of new employees and number of ethnic minority employees in the reporting period.

Category		As at 31 December 2019		As at 31 December 2018	
		Number	Percentage	Number	Percentage
Total number of employees		6,219	100.00	5,434	100.00
By gender	Male	2,673	42.98	2,351	43.26
	Female	3,546	57.02	3,083	56.74
By type of employment	Contract-based employee	6,219	100.00	5,434	100.00
By age group	Below 30 years old (inclusive)	2,371	38.13	2,154	39.64
	From 31 to 40 years old (inclusive)	2,185	35.13	1,757	32.33
	From 41 to 50 years old (inclusive)	1,221	19.63	1,276	23.48
	Over 50 years old	442	7.11	247	4.55
By region	Within Liaoning province	5,013	80.61	4,440	81.71
	Outside Liaoning province	1,206	19.39	994	18.29
New entrants		924	14.86	318	5.85
Employees from ethnic minorities		616	9.91	530	9.75



## 6. RECIPROCATATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)

### Employee Management

#### Recruitment Management

The Bank established Management Measures of Shengjing Bank for Recruitment to emphasise the principle of open, fair and impartial recruitment. The Bank also established a supervision and support system to ensure objective and fair recruitment and equal employment opportunities. We also strictly abided by the Labour Law and other relevant laws and regulations, and completely eradicated involvement of child labour or forced labour in our business activities.

#### Labour Relationship Management

The Bank issued the Implementation Guidelines of Shengjing Bank of Labour Contract System for All Staff and the Management Measure of Shengjing Bank for Employment, which emphasise on the management of the contract system for all staff, established an employment mechanism with a labour contract management system as its core, enhanced the main responsibilities of the Bank and boosted the business development of the Bank and the career development of its staff. In addition, the Bank established the Management System of Shengjing Bank for Attendance, putting forward a working system of “five days a week and eight hours a day” and a system for overtime payment. The Bank specified statutory leaves, such as sick leave, personal leave, maternity leave and wedding leave, and issued the Management Measures of Shengjing Bank for Leaves and Holidays, which details the standard management and approval procedures of paid annual leaves to adequately guarantee staff’s rights and interests. During the reporting period, no employee of the Bank was injured or died due to work-related causes.

#### Remuneration Management

The Bank formulated the Management Measures of Shengjing Bank for Remuneration, Management Measures of Shengjing Bank for Staff Level Assessment of Professional Skills, Plan of Shengjing Bank for Enterprise Annuity, and Plan of Shengjing Bank for Supplementary Medical Insurance, which specify the components and delivery modes of employee remuneration. The Bank offered the enterprises annuity and supplementary medical insurance in addition to the basic benefits for better employee guarantees.

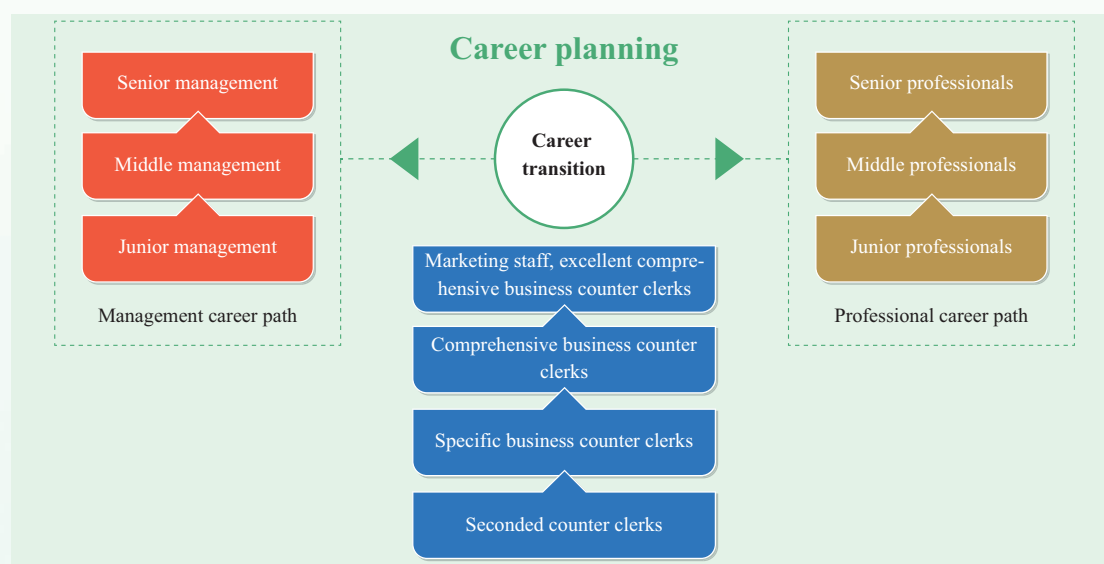




## Employee Career Development

### Career Development

The Bank built an extensive career development platform for staff, replaced the single career development path of promotion via appointment with the management career path and professional career path, allowing employees to choose their career paths based on their own strength and characteristics and facilitating joint development of the Bank and its staff.



### Employee Training

The Bank developed a training system covering the Head Office, branches, and sub-branches and implemented a training management mode where responsibilities were assumed and management was conducted by level. We strived to improve business operation and management capabilities across the Bank with a close focus on the Bank's need for talents; vigorously developed a marketing team with better capabilities, skills, and competitiveness to drive income through marketing and rapid development of business lines; and delivered diverse training sessions via an array of methods such as online training to help employees more effectively build business competence. During the reporting period, the Bank delivered training sessions to more than 356,922 trainees, covering all its employees.

KPI	Unit	2019	2018
Average credit hours (middle and senior operating and management personnel)	Hour	10	29
Average credit hours (junior operating and management personnel)	Hour	10	26
Average credit hours (ordinary employees)	Hour	86	94

## 6. RECIPROCATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)

### Case

#### Professional Skill Competitions

The Bank fully implemented its new development philosophy, adopting an innovative competition mindset, promoting competition achievements, and aligning the competition with business operations and talent cultivation, so as to create a competition mode that combines training, practice, competition, and improvement to facilitate corporate development.

In 2019, Shengjing Bank successfully completed its “Practise at Work and Compete during Services” competition that lasted six months. The participating units made careful preparation and a total of close to 1,000 employees from 18 branches fully demonstrated their skills during the competition. Through fierce contests covering 5 business lines and 14 skills, 72 employees won the “Role Model or Excellent Performer” honorary title.





### Protection of Employees' Rights and Interests

On 3 April 2019, Shengjing Bank held the Third Session of the Second General Meeting of Employee Representatives. The meeting voted to approve policies on employee benefits, including the Enterprise Annuity Plan of Shengjing Bank Co., Ltd. and the Measures of Shengjing Bank for Administration of Employee Care, etc. The meeting effectively drove democratic decision making and scientific administration, enhanced a healthy and stable labour relationship, encouraged employees to become active and innovative, and protected employees' right to know, to make decision, and to supervise.



### Employee Care

#### *Various Cultural and Sporting Activities*

The Bank has established over 50 associations of culture and sports, covering basketball, football, table tennis, badminton, swimming, chess and cards, cycling, dancing, calligraphy and photography, chorus, reading and speech, yoga, etc. In 2019, the Bank held more than 1,500 cultural or sporting activities, which attracted over 20,000 participants from its employees. This enriched their lives and made them feel honoured of being part of the team, which in turn triggered their passion of hard work.



## 6. RECIPROCATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)

### Case

#### Hiking

In 2019, the Daxing branch was invited to the “New National Gate and New Daxing” hiking event hosted by the Financial Service Office of Daxing District for employees from financial institutions.

The opening ceremony was held at the Niantan Park of the district by the office and participated by tens of financial institutions from the district. The event not only offered an opportunity of physical exercise to the participants, but also facilitated exchange among them, helping them become more energetic and passionate in serving customers.



### Employee Care



#### Financial Aid

The bank paid close attention to the life of employees in need, implemented dynamic management and actively helped them. In 2019, The Bank’s labor union appropriated RMB261,000 to offer aid to more than 70 employees with financial difficulties.



#### Health Check for Employees

The bank cared about the health of employees, established supplementary medical insurance and group accident insurance for employees. The Collective Contract was prepared to include health check for employees as well, clarifying that each employee was entitled to health check once a year.



#### Delivering Warmth during Holidays

In accordance with the trade union fund usage regulations, the Bank delivered holiday benefits in full to employees in the Gregorian New Year’s Day, Chinese Lunar New Year Holiday, and Chinese National Day Holiday to bring them more care and happiness during the special moments. The Bank has also been preparing birthday cakes for and giving best wishes to employees.





### Case

#### International Women's Day

During the International Women's Day in 2019, the Bank's trade unions at all levels organised female employees to hold various celebrations. The Head Office's trade union partnered JD.COM to launch attractive activities such as card collection and lucky draw, beautiful cooks, etc. There were also various free services including oral examination, hand SPA, and eyebrow shaping. These activities truly brought fun, happiness, and benefits to the participants.



03/07  
THE MOMENT



03/07  
THE MOMENT

## 6. RECIPROCATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)

### 6.4 Commitment to Social Benefits

With the vision of “building a sound bank”, Shengjing Bank adheres to its mission of serving the local economy, proactively fulfils social responsibilities, offers support to public welfare and charity, strives for precision poverty alleviation, and spreads positive energy across the society.

#### Shengjing Bank 2019 Shenyang International Marathon

On 8 September 2019, the 2019 Shenyang International Marathon competition was kicked off in Shenyang Olympic Centre, with Shengjing Bank being the sole named sponsor. More than 20,000 athletes from 18 countries and regions participated in the event, demonstrating the spirit of “seeking self-breakthrough and never giving up” with action and passion.

Sponsoring the Shenyang International Marathon competition is an important approach of Shengjing Bank to perform its social responsibility as a financial enterprise. Competition preparation allowed the Head Office to work closely with all branches and staff, enhancing the teamwork spirit within the Bank and once more demonstrated the Bank's courage to tackle any difficulties. In every step from registration to material collection and then to competition, Shengjing Bank was devoted with careful planning, extensive mobilisation, and proactive participation, so as to truly fulfil its social responsibility and effectively boost the development of the sports and cultural sectors in the region.





## 6. RECIPROCATE THE SOCIETY AND ACHIEVE A HARMONIOUS AND WIN-WIN RESULT (Continued)



### Charity Donation

In 2019, the Bank donated RMB500,000 with Shenyang Foundation for Disabled Persons to 500 families in the city; partnered the Public Security to donate RMB4 million to the family members of provincial and municipal police officers who died on duty, police officers who were injured or disabled on duty, and police officers with serious illness or financial difficulties; and worked with Shenyang Charity Federation to carry out the “Caring Benches” campaign and installed 400 benches for 36 poorly equipped housing blocks, demonstrating a positive image of an urban commercial bank actively shouldering its social responsibilities. The Bank's trade unions at all levels also proactively arranged various public welfare and volunteer activities based on local situations. The Liaoyang and Fushun branches delivered care and warmth to their local orphanages and homes for disabled veterans several times.



### Precision Poverty Alleviation

The Bank followed the poverty alleviation decisions of the municipal Party Committee and municipal government of Shenyang to help the Zhoutuozi and Sutuozi villages of Zhoutuozi town in Xinmin city with poverty alleviation. We carried out careful planning and implementation, and proactively provided financial and project support to the villages. On the one hand, the Bank insisted on poverty alleviation through industry development based on related national guidelines, so as to enable the aided to become self-sufficient. On the other hand, the Bank helped optimising the infrastructure in the area to improve the living environment of the underprivileged.

In 2019, the Bank provided a total poverty alleviation fund of RMB275,900, which was used entirely through precision poverty alleviation projects to address the actual difficulties of the underprivileged.



In the face of impacts of protectionism and unilateralism in 2019, most developed economies and emerging economies continued to ease their monetary policies. As the Covid-19 pandemic spread to the major economies around the world in early 2020, many countries have chosen to further ease their monetary policies. Although our domestic economy is experiencing various uncertainties, enterprises of different sizes are resuming production at a higher pace after the effective containment of the pandemic, counter-cyclical economic adjustment policies are being rolled out, and the economic growth trend remains positive.

As the Chinese economy enters into the high-quality development stage from the fast development stage and the supply-side structural reform deepens in the financial sector, it is necessary for the financial sector to pursue high-quality development and gradually build financial product series that properly address the demands of the real economy and the public. Competition from peers intensifies while China further opens up its banking sector and implements LPR, imposing challenges on banks in terms of profitability, management, and innovation. Domestic banks should insist on their mission to serve the real economy, consolidate their customer bases, innovate financial products, optimise business portfolios, and seek technological enablement, so as to effectively mitigate risks, enhance assets management, refine management, and achieve mutual benefits with the real economy.

In 2020, Shengjing Bank will adhere to the business philosophy of building a bank founded on the basis of deposit, compliance, talent, and technology, adopt a comprehensive development mindset, strengthen its fundamental strength, and optimise its business structure to lay a solid foundation for building a sound bank in the new era. First, it will deepen structural adjustment and business transformation, proactively develop a market-oriented business model that is driven by products, covers corporate and personal businesses, employs online and offline business channels, and leverages internal and external driving forces, strongly optimise the customer structure and improve service quality, and continuously increase core liabilities. It will also foster competitive edge with special and professional businesses, strengthen comprehensive marketing and product flexibility, and develop into a comprehensive banking corporation with a strong industrial foothold, highlights, and value. The Bank aims to press ahead its “Big Retail” transformation strategy, accelerate the establishment of a wealth management system and retail credit system, explore new business growth opportunities, fully boost financial business development, further pursue added value, and diversify profit sources. Second, the Bank will step up coordinated management of assets and liabilities. It will strongly explore ways of intensive development that feature low capital requirements and high capital use efficiency, improve the combination of endogenous capital and risk weighed assets, properly tune the liability structure, and ensure sufficient liquidity. It will also better manage fund pricing and introduce a pricing



method that can adapt to market dynamics, reflect the Bank's risk appetite, and strike a cost-benefit balance, so as to achieve refined management. Third, the Bank will further develop risk prevention and protection capabilities. It will drive the establishment of a comprehensive risk management system, improve its risk control policies, optimise its risk director reporting mechanism, and enhance central credit management, effectively prevent and protect against risks. In addition, it will take a cluster of measures to speed up settlement of unwanted assets for effective reduction of its risk exposure, and will firmly uphold the business philosophy of compliance-based bank development and improve its compliance-oriented management system and organisation structure to ensure operational compliance. Fourth, the Bank will deepen its system and mechanism reform. It will proactively drive the remuneration system reform to set up an incentive and constraint mechanism better coupling with the Bank's strategic transformation and business development, and maximise recognition and incentives to mobilise employees to pursue performance and fully unleash productivity of the Bank. Meanwhile, it will introduce a market-oriented HR allocation mechanism, attract external talents, and cultivate internal talents, so as to build a proper mix of talents with excellent expertise and ensure healthy competition. Fifth, the Bank will further seek technological support. It will reshape its IT system architecture, strengthen IT management, and put in place a technology-enabled modern operation system. Six, the Bank will further offer financial support to supply-side structural reform and provide more targeted and effective financial services, and fulfil its social responsibility via financial inclusion.

Following the general trend of high-quality development of the banking sector, Shengjing Bank will uphold the vision of building a sound bank, firmly enhance market-oriented system and mechanism development, drive significant comprehensive business growth through innovation, adopt people-focused approaches to unleash productivity, and develop into a sound bank in the new era with an efficient operation mechanism, strong profitability, and excellent reputation.



# Independent Limited Assurance Report

To the Board of Directors of Shengjing Bank Co., Ltd.

We were engaged by the Board of Directors of Shengjing Bank Co., Ltd. ("the Bank") to provide limited assurance on the 2019 Environmental, Social and Governance Report of the Bank for the year ended 31 December 2019 ("the ESG Report").

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank is solely responsible for the preparation and presentation of the 2019 ESG Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of The Stock Exchange of Hong Kong Limited's Guidelines for Environmental, Social and Governance Reporting ("SEHK's Guidelines").

The Board of Directors is also responsible for designing, implementing and maintaining internal control that enables the preparation and presentation of the ESG report that is free from material misstatement, whether due to fraud or error.

## RESPONSIBILITIES OF KPMG

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed.

We conducted our work in accordance with International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board.

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and complied with the applicable requirements of International Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Our independent limited assurance report is made solely to the Bank in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of the Bank those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than the Bank for our work, for this independent limited assurance report, or for the conclusions we have reached.



### SUMMARY OF WORK PERFORMED

A limited assurance engagement on an ESG report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the ESG report, and applying analytical and other procedures, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of the Bank's processes for determining the material issues for the Bank's key stakeholders;
- Interviews with management and relevant staff concerning sustainability development strategy and policies for material issues, and implementation of these across the business;
- Interviews with relevant staff at the Bank responsible for providing the information in the ESG Report;
- A media analysis and an internet search for references to the Bank during the reporting period;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the ESG Report;
- Comparing the information presented in the ESG Report to corresponding information in the relevant underlying sources by limited testing to determine whether key information contained in such underlying sources has been included in the ESG Report;
- Reconcile key financial data and figures with the audited financial statements;
- Reading the information presented in the ESG Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Bank.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore, a lower level of assurance is provided. In addition, our work was not undertaken for the purpose of opining on the effectiveness of the Bank's systems and procedures.

### CONCLUSIONS

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the ESG Report of the Bank is not prepared, in all material respects, in accordance with the SEHK's Guidelines.

KPMG Huazhen LLP

Beijing  
17 July, 2020



# ESG Indicator Index

## ESG REPORT INDICATOR INDEX

Subject Areas and Aspects	General Disclosures	Disclosure		Disclosure Location
		Location	KPIs	
A. Environmental				
A1 Emissions	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pages 29-31	A1.1 The types of emissions and respective emissions data. Page 29 A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Page 29 A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). N.A. A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Page 29, 31 A1.5 Description of measures to mitigate emissions and results achieved. Pages 29-30 A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. Page 31	
A2 Use of resources	Policies on the efficient use of resources, including energy, water and other raw materials.	Pages 29-31	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). Page 29 A2.2 Water consumption in total and intensity (e.g. per unit of production volume per facility). Page 29 A2.3 Description of energy use efficiency initiatives and results achieved. Pages 29-31 A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. Page 30 A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. N.A.	
A3 Environment and natural resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Pages 27-31	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. Pages 27-31	

## ESG Indicator Index (Continued)



Subject Areas and Aspects	General Disclosures	Disclosure		Disclosure Location
		Location	KPIs	
B. Social				
B1 Employment	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Pages 37-39	B1.1 Total workforce by gender, employment type, age group and geographical region. B1.2 Employee turnover rate by gender, age group and geographical region.	Page 37 Note
B2 Health and safety	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 38	B2.1 Number and rate of work-related fatalities. B2.2 Lost days due to work injury. B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 38 Page 38 Page 42
B3 Development and training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Pages 39-41	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). B3.2 The average training hours completed per employee by gender and employee category.	Page 39 Page 39
B4 Labour standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 38	B4.1 Description of measures to review employment practices to avoid child and forced labour. B4.2 Description of steps taken to eliminate such practices when discovered.	Page 38 N.A.
B5 Supply chain management	Policies on managing environmental and social risks of the supply chain.	Page 31	B5.1 Number of suppliers by geographical region. B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Note Page 31

## ESG Indicator Index (Continued)

Subject Areas and Aspects	General Disclosures	Disclosure		Disclosure Location
		Location	KPIs	
B6 Product responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Pages 32-36	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons. N.A.
			B6.2	Number of products and service related complaints received and how they are dealt with. Page 33
			B6.3	Description of practices relating to observing and protecting intellectual property rights. Page 23
			B6.4	Description of quality assurance process and recall procedures. N.A.
			B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored. Pages 33-34
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Pages 20-22	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. N.A.
			B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. Pages 18-22
B8 Community investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Pages 41-45	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). Pages 41-45
			B8.2	Resources contributed (e.g. money or time) to the focus area. Page 45

*Note:* the Bank plans to disclose information in this regard step by step.



### FEEDBACK FROM READERS

Thank you for reading the 2019 Environmental, Social and Governance Report of Shengjing Bank. With the aim of enhancing communication and exchanges with stakeholders and improving the Bank's capability for performing social responsibilities, we hope that you can evaluate this report and provide us with your valuable comments and suggestions. You can fill out the below feedback form and choose any of the following ways to send us your opinions.

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Postcode : 110013

**1. Which kind of stakeholder are you:**

- ☐ Government   ☐ Regulator   ☐ Shareholder   ☐ Customer   ☐ Employee  
☐ Vendor   ☐ Partner   ☐ Community   ☐ Environment   ☐ Others

**2. Your general evaluation on this report:**

- ☐ Poor   ☐ Average   ☐ Good   ☐ Excellent

**3. Your evaluation of Shengjing Bank in performing social responsibilities for economic development:**

- ☐ Poor   ☐ Average   ☐ Good   ☐ Excellent

**4. Your evaluation of Shengjing Bank in performing social responsibilities for environment:**

- ☐ Poor   ☐ Average   ☐ Good   ☐ Excellent

**5. Your evaluation of Shengjing Bank in performing social responsibilities for social progress:**

- ☐ Poor   ☐ Average   ☐ Good   ☐ Excellent

**6. Do you think the information disclosed in this report is complete?**

- ☐ No   ☐ Average   ☐ Yes

**7. Do you think the content and typography is suitable for reading?**

- ☐ No   ☐ Average   ☐ Yes

**8. Do you have any other comments or suggestions on the report and on the improvement and development of Shengjing Bank for performing social responsibilities?**

Thank you for your caring and support for Shengjing Bank!



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💻 [www.shengjingbank.com.cn](http://www.shengjingbank.com.cn)



Official Website



Mobile Banking